**TENNESSEE GENERAL ASSEMBLY**
**FISCAL REVIEW COMMITTEE**

# FISCAL NOTE

# HB 2005 - SB 2213

February 21, 2014

**SUMMARY OF BILL:** Creates the "Tennessee Work-Share Act of 2014 (the Act)" to establish a program where the Commissioner of the Department of Labor and Workforce Development (DLWD), as administrator, grants approvals of work-sharing plans for qualified employers for the purpose of averting job layoffs. Defines multiple terms related to the Act, including "work-sharing plan", which means a plan submitted by an employer, for approval by the administrator, under which the employer requests the payment of work-sharing benefits to workers in an affected unit of the employer to avert layoffs. Establishes qualifying criteria for employers desiring to utilize a work-sharing plan. Requires the administrator to approve or disapprove of any work-sharing plan, and establishes other responsibilities for the administrator. Establishes guidelines, rules, and regulations for the administration of the Act and for any implemented work-sharing plan. Defines "work-sharing benefits" as unemployment benefits payable to employees in an affected unit under an approved work-sharing plan, as distinguished from the unemployment benefits otherwise payable under the Tennessee Unemployment Security Law.

## ESTIMATED FISCAL IMPACT:

**Increase State Expenditures –**
**$1,517,500/FY14-15/General Fund**
**$732,600/FY15-16 and Subsequent Years/General Fund**

Assumptions:

- The effective date for implementation of this bill is January 1, 2015.
- DLWD indicates that it will require additional appropriations to implement the provisions of this bill. Therefore, it is assumed funding to implement the Act will be appropriated from the state General Fund.
- According to DLWD, the department will be required to modify several information technology systems and software as a result of this bill. Based on the information provided by DLWD, the total one-time increase in state expenditures is estimated to be $1,263,848, which consists of $257,978 for modifications to the REX system, tax system, and document storage system; $400,870 for modifications to the mainframe; and $605,000 for additional programming services on a new system currently being developed. These expenditures are assumed to occur between July 1, 2014 and

December 31, 2014 (or within FY14-15) in preparation of the required implementation date of January 1, 2015.

- According to DLWD, there will be additional recurring state expenditures for annual maintenance of systems, data storage, and licensing costs. Based on the information provided by DLWD, this recurring increase in state expenditures is estimated to be $470,000. These recurring expenditures are assumed to begin in FY15-16.
- DLWD indicates the department will require three additional positions to implement the provisions of this bill, consisting of one Attorney 2 position, and two Program Specialist 4 positions. The recurring increase in state expenditures for the one Attorney 2 position is estimated to be $100,099 ($68,532 salary + $31,567 benefits). The recurring increase in state expenditures for the two Program Specialist 4 positions is estimated to be $139,898 [($43,956 salary + $25,993 benefits) x 2 positions]. Additional recurring state expenditures associated with the new positions is estimated to be $4,620 for phone service, supplies, internet connectivity, etc. All recurring state expenditures associated with the new positions are assumed to begin July 1, 2014, in preparation of the required implementation date of January 1, 2015.
- Additional recurring state expenditures for bulk mailing of notifications is estimated to be $18,000 per year beginning in FY15-16; the increase in state expenditures for FY14-15 is estimated to be $9,000.
- The total increase in state expenditures from the state General Fund for FY14-15 is estimated to be $1,517,465 ($1,263,848 + $100,099 + $139,898 + $4,620 + $9,000).
- The total recurring increase in state expenditures from the state General Fund for FY15-16 and subsequent years is estimated to be $732,617 ($470,000 + $100,099 + $139,898 + $4,620 + $18,000).
- The net fiscal impact to the Unemployment Insurance Trust Fund (UITF) is dependent upon multiple unknown factors such as changes in economic cycles, the magnitude of any change in an economic cycle, the extent to which employers would implement job layoffs in the absence of this bill, the timing of any such job layoffs, the extent to which employers will become participating employers in a work-sharing plan under this bill, the percentages by which participating employers will reduce employee work hours, the number of employees that any reduced number of work hours will be apportioned among, the duration that any employee work hours are reduced, the extent of benefits paid under this bill as work-sharing benefits relative to the extent of unemployment benefits that would be paid in the absence of the bill.
- Given the extent of unknown factors, it is very difficult to determine a precise net impact to the UITF as a result of this bill. However, based on information provided by DLWD, the net impact to the UITF is considered not significant. This estimate is based on the presumption that the total amount of funds that would be dispersed from the UITF as unemployment insurance benefits to any one former employee in the absence of the bill will equal the total amount of funds that will be disbursed from the UITF as work-sharing benefits to an unknown number of employees working within an affected unit as defined.

## IMPACT TO COMMERCE:

**Increase Business Revenue – $1,272,800/FY14-15**
**$488,000/FY15-16 and Subsequent Years**

**Increase Business Expenditures – $636,400/FY14-15**
**$244,000/FY15-16 and Subsequent Years**

**Jobs Impact - The impact to Tennessee private sector jobs will be positive in the sense that jobs will be preserved as a result of the bill. The extent of Tennessee jobs that will be preserved is unknown.**

**Other Commerce Impact – Any additional impact to commerce is considered not significant because any net change in disposable income is assumed to occur whether under the provisions of the bill or in the absence of the bill.**

Assumptions:

- An increase in business revenue to the vendors performing the information technology system modifications and providing bulk postage notification mailings for DLWD estimated to be $1,272,848 ($1,263,848 + $9,000) in FY14-15, and estimated to be $488,000 ($470,000 + $18,000) in FY15-16 and subsequent years.
- An increase in business expenditures to the vendors performing the information technology system modifications and providing bulk postage notification mailings for the cost of goods and services sold estimated to be $636,424 (or 50 percent of revenue) in FY14-15, and estimated to be $244,000 (or 50 percent of revenue) in FY15-16 and subsequent years.
- Any other impact to business revenue is considered not significant. This is based on the presumption that total disposable income (money available to be spent in the economy and subsequently recognized by businesses as revenue) remains unchanged under this bill relative to what it would be under current law. To illustrate an example, if one person is laid off under current law, total disposable income is reduced by an amount equal to the amount of wages lost by the individual offset by any unemployment benefits received by the individual. Under this bill, total disposable income will be reduced by an amount equal to the total amount of wages lost by an unknown number of employees working within the affected unit offset by any work-sharing benefits received by the unknown number of individuals working in the affected unit. The total reduction in disposable income will be the same under either scenario, either incurred by the one individual exclusively, or spread equally among all employees working in the affected unit as defined. Therefore, any reduction in disposable income will either be incurred by former employees that are laid off, or by the employees working within the affected units as a result of receiving reduced wages. Given that any reduction in disposable

income will occur regardless of the outcome of this bill, the net impact to business revenue is considered not significant.

- Any other impact to business expenditures is considered not significant. This is based on the presumption that an employer can choose to lay off workers in the absence of the bill, which would save the employer a certain amount of wage expense, or the employer could become a participating employer under this bill, and choose not to lay off any employees, but rather reduce each employee’s weekly hours within the affected unit by an amount sufficient to reduce total wage expense by the same amount. Therefore, any net impact to business expenditures is considered not significant.

## CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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